U.S. Department of the Interior
Office of Inspector General

INSPECTION REPORT

SELECTED ADMINISTRATIVE ACTIVITIES AT THE COLORADO STATE OFFICE, BUREAU OF LAND MANAGEMENT

REPORT NO. 96-I-638
MARCH 1996

United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL
Washington, D.C. 20240

MAR 29 1996

MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis
Inspector General

SUBJECT SUMMARY: Final Inspection Report for Your Information - "Selected Administrative Activities at the Colorado State Office, Bureau of Land Management" (No. 96-I-638)

Attached for your information is a copy of the subject final inspection report.

The Colorado State Office was generally effective in managing its administrative activities. However, improvements are needed in the areas of cash collections and deposits; mining fees deposits; map sales, orders, and inventory management; and vehicle fleet management. The Bureau agreed with and has taken action to implement six of our seven recommendations pertaining to cash collections, the map sale program, and utilization of vehicles. However, the Bureau has been requested to reconsider its response to the recommendation regarding the design of data entry and edit controls that ensure that mining fees are deposited into the appropriate accounts.

If you have questions concerning this matter, please contact me or Ms. Judy Harrison, Assistant Inspector General for Audits, at (202) 208-5745.

Attachment

United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL
Washington,D.C. 20240

MAR 29 1996

INSPECTION REPORT

To: Assistant Secretary for Land and Minerals Management

From: Judy Harrison Judy Harrison
Assistant Inspector General for Audits

Subject: Final Inspection Report on Selected Administrative Activities at the Colorado State Office, Bureau of Land Management (No. 96-I-638)

INTRODUCTION

This report presents the results of our inspection of selected administrative activities at the Bureau of Land Management's Colorado State Office. The objective of the inspection was to determine whether the State Office conducted the following administrative activities in accordance with established laws, regulations, policies, and procedures: travel; time and attendance; small purchases, including imprest funds; cash collections and deposits, including mining fee receipts; and personal property, including vehicle fleet management.

BACKGROUND

The Bureau of Land Management's Colorado State Office manages approximately 8 million surface acres of public land in Colorado. In addition, the State Office has cadastral survey responsibility for all the Federal land in Colorado, which totals about 24 million acres. These lands are managed under the concept of multiple use. Under this concept, the State Office performs many activities, including the following: the conduct of oil and gas lease sales, the management of grazing operations, the inspection of oil and gas lease operations, and the monitoring of lands for trespass.

The State Office employs about 290 individuals and has a payroll of approximately $10 million per year. In fiscal year 1994, it processed approximately 2,000 small purchases (transactions of $25,000 or less), totaling $2.2 million. As of May 1995,

property records of the State Office listed 2,930 items, with an acquisition cost of $6.9 million. The listing contained items such as computers, photocopiers, radios, cellular telephones, vehicles, and surveying equipment. Also, from January 3, 1994, through July 5, 1995, the State Office collected over $22 million from oil and gas lease sales, mine claim fees, and document sales.

SCOPE OF INSPECTION

Our inspection was conducted during June through September 1995 at the Colorado State Office and covered transactions that occurred during October 1993 through July 1995. Our conclusions were based on observations of administrative operations; interviews with administrative and other personnel; and the results of limited tests and analyses of records, reports, and transactions.

The inspection was conducted in accordance with the "Quality Standards for Inspections," issued by the President's Council on Integrity and Efficiency and, accordingly, included such tests and inspection procedures considered necessary under the circumstances.

PRIOR AUDIT COVERAGE

Neither the General Accounting Office nor the Office of Inspector General has issued any audit reports in the past 5 years that addressed the administrative activities of the Colorado State Office.

RESULTS OF INSPECTION

Our inspection of travel, time and attendance, small purchases, and property accountability indicated that these administrative activities were generally conducted in accordance with requirements. However, we noted that actions are needed to ensure compliance with requirements in the areas of cash management, mining fee deposits, map inventories, and vehicle utilization. Specifically, the State Office was not: (1) reconciling daily receipts with daily deposits; (2) accounting for mining fees in the appropriate budgetary activity accounts; (3) providing sufficient management control over certain aspects of its map sales, map orders, and map inventory activities; and (4) utilizing its vehicle fleet efficiently. These deficiencies occurred because of inadequate procedures, controls, and employee training.

Cash Collections and Deposits

The Bureau Manual, Section 1372.12A, requires that collection officers place all collections under immediate accounting control by documenting the receipt, transfer, deposit, or return of each collection in the official accounting records. Collection

officers are also required to support each remittance received by a written record, such as various types of receipts, transfer or return documents, bid registers and return lists, undeposited remittance registers, or batch control forms. However, the procedures and controls used for receiving, receipting, and reconciling deposits contained significant weaknesses. As a result, the State Office did not have assurance that all funds were properly received and deposited. For example:

- Supervisory personnel were not adequately reconciling daily receipts with daily deposits, and the collection officer in the mail room was not maintaining a log or schedule of collections to identify payers and amounts and to record the dates when checks and money orders were received. As a result, there was no effective process to reconcile daily receipts with daily deposits or to ensure that all checks received in the mail room were deposited. For example, a mail clerk received a check for $63,644.41 on February 13, 1995, as indicated by a date stamp on an adding machine tape. During our review, we could not find any documentation that a check in this amount was deposited or returned to the payor. Based on our inquiry, the State Office initiated a review to determine the status of the check. However, because records were not adequately detailed, the State Office could not determine the status of the check.

- The collection officer in the cash cage was not always initialing adding machine tapes from the collection officer in the mail room to substantiate that all negotiable instruments were transferred.

- The collection officer in the mail room was not endorsing checks, drafts, and/or money orders as the mail was being opened. We believe that placing endorsements on negotiable instruments at the earliest practicable time would reduce the potential for Government funds being lost or misused. Rules for endorsing negotiable instruments are in Section 1372.32A of the Bureau Manual.

Mining Fees

The Code of Federal Regulations (43 CFR 3833.1-4 and 1-5) requires that the holders of each unpatented mining claim pay the Bureau a $100 annual maintenance fee together with a one-time $25 fee for recording the location of the claim. However, the State Office was inconsistent in accounting for the receipts. The Bureau’s 1995 fund coding handbook states that receipts for mining claim fee collections are to be accounted for in Receipt Account No. 1993. Bureau officials said that the Bureau’s fund coding handbook did not clearly define the disposition of the fees. For example, the handbook does not define whether location fees should be recorded as receipts in Account No. 1993, which then become available for use by Bureau Headquarters, or whether location fees should be recorded as reimbursements in Account No. 1930, which then become available for use by the State Director. As a result, the Colorado State Office was not accounting for the

$25 mining claim location fees and the $100 mining claim maintenance fees in the appropriate budgetary accounts. For example:

- We found about 1,470 instances in which the State Office did not record location fees, totaling approximately $36,800, in the appropriate accounts. These fees were recorded as receipts in Account No. 1993. We also found instances in which the State Office recorded fees as reimbursements in Account No. 1930. Because location fees were being recorded as receipts and as reimbursements, we believe that the definitions in the fund coding handbook should be clarified.

- We found about 155 instances in which the State Office had inappropriately recorded maintenance fees, totaling $15,500, as reimbursements in Account No. 1930.

We believe that mining fees have not been properly accounted for because: (1) the State Office had not asked the Bureau for clarification of the definitions in the Bureau's fund coding handbook; (2) the State Office's automated collection system was not programmed with sufficient data entry edits and controls to ensure that fees were posted to the appropriate accounts; and (3) collection officers did not have adequate training in how to account for the fees.

Map Sales, Map Orders, and Inventory Management

The Code of Federal Regulations (41 CFR 101-27.102) requires inventories to be replenished in accordance with the economic order quantity principle, which is defined as a means of achieving economical inventory management. However, the State Office has not provided sufficient management control over certain aspects of its map sales program. Specifically, the State Office did not have formal processes for tracking map sales, ordering maps, and conducting map inventories. Instead, it used informal processes to count maps and to anticipate future year map sales. Also, because it did not track site-specific map sales, the State Office did not have an effective process for determining economical inventory management order points. As a result, the Denver Service Center's Printed Materials Distribution Section for Colorado's state, district, and resource areas had an excess quantity of maps in stock. For example:

- As of July 5, 1995, the Printed Materials Distribution Section reported that it had 39,227 mineral maps in stock. However, during the previous 3 years, the Section had shipped only 2,611 mineral maps to various Bureau offices in Colorado. Consequently, there were 36,616 mineral maps in excess of the State's 3-year need, or a 42-year supply of mineral maps in stock. The Section also reported that there were 394 mineral maps in stock for the Grand Junction area, or an 1 l-year supply. Nonetheless, at the time of our review, the Grand Junction District was ordering an additional 900 mineral maps, or an additional 25-year supply. In another instance,

we found that there were 865 mineral maps in stock at the Section for the Glenwood Springs area, or a 129-year supply.

We concluded that, while inventories of surface maps were generally better managed than those of mineral maps, improvements were still needed. For example, there were 741 surface maps in stock at the Section for the Antonio area, or a 10.6-year supply. Nonetheless, the Section, at the time of our review, was ordering an additional 1,850 maps, or an additional 26-year supply.

During our inspection, we discussed these issues with an employee from the Office of Mapping Sciences, which is part of the State Office. As part of our discussion, the employee stated that the State Office would have the ability to utilize the new geographic map printing technology in the next few years. Because of this anticipated technology advance, we believe that the State Office should minimize orders for more mineral maps and should more closely review orders for surface maps.

Vehicle Fleet Management

The Bureau Manual, Section H-1525-1 II.B.2, states that, at the beginning of each year, the Bureau should review the past year's use of all vehicles to ensure that all vehicles on hand are needed and are being used efficiently. Further, the Departmental Manual (400 DM 114-38.5103), supplemented by the Bureau Manual, provides guidance for determining the requirements for vehicle fleet use, such as the type and number of vehicles needed to meet minimum operational requirements, the frequency of trips, the feasibility of obtaining vehicles from interagency motor pools or commercial sources, and the use of privately owned vehicles. The results of this analysis should be included in preparing the annual review. However, we found that the State Office did not complete this review and was not managing its vehicle fleet efficiently. Based on our analysis, we concluded that 20 of the 60 vehicles owned by the Bureau or leased from the General Services Administration, at an average rate of $300 per month, were underutilized. That is, the vehicles were driven fewer miles than the minimum mileage (833 miles monthly or 10,000 miles annually) specified in the Bureau Manual to justify retention of a vehicle. Furthermore, of the underutilized vehicles, we estimated that the State Office may be able to return up to six vehicles to the General Services Administration because of the availability of other vehicles. Returning six vehicles would save about $22,000 annually (6 vehicles x $300 x 12 months).

Fifteen of the 20 underutilized vehicles were assigned to the Branch of Cadastral Survey. The Branch's vehicles were underutilized primarily because they were used only 7 months a year, April through October. During the remaining 5 months, the Branch's vehicles (primarily four-wheel-drive trucks) were idle at the State Office. We believe that the State Office should adequately evaluate its vehicle needs in

accordance with the Departmental Manual. The evaluation should determine whether vehicles can be pooled for use by all State Office employees, whether the increased use of privately owned vehicles should be encouraged, and whether vehicles should be shared with other Department of the Interior agencies.

Recommendations

We recommend that the Director, Colorado State Office, Bureau of Land Management:

1. Ensure compliance with controls for receiving, receipting, and reconciling daily receipts with daily deposits.

2. Direct the collection officer in the mail room to endorse negotiable instruments before these instruments are transferred to the collection officer in the cash cage.

3. Request clarification from the Bureau's Finance Office regarding how mining claim fees are to be accounted for, particularly location fees.

4. Require that data entry edits and controls be designed to ensure that fees are deposited into the appropriate accounts.

5. Require that program training be provided to collection officers to ensure that mining fees are deposited into the appropriate accounts.

6. Require that controls and procedures be established for tracking specific map sales and map orders and for conducting map inventories.

7. Require vehicle fleet personnel to perform annual reviews of utilization of the vehicles. These reviews should include analyses of the types of vehicles needed to meet the operational requirements of a particular program; the number of each type of vehicle needed to accomplish the program objective; and how vehicles can be rotated among different offices. These reviews should also analyze the feasibility of using privately owned vehicles and rental vehicles and entering into memoranda of understanding with other agencies and bureaus for maximum use of the vehicles.

Bureau of Land Management Response and Office of Inspector General Reply

In its March 26, 1996, response (Appendix 1) to the draft report, the Bureau of Land Management concurred with Recommendations 2, 3, 5, 6, and 7; expressed partial

concurrence with Recommendation 1; and did not concur with Recommendation 4. Based on the response, we consider Recommendations 1, 2, 3, 5, and 7 resolved and implemented; Recommendation 6 resolved but not implemented; and Recommendation 4 unresolved (see Appendix 2).

Recommendation 1. Partial concurrence.

Bureau Response. The Bureau stated that since its supervisors were reviewing the daily deposits documentation and signing the cash receipt documents as required, further action was not required to comply with the recommendation. However, the Bureau also stated that, based on our recommendation, it modified the collection process in the mailroom by having the collections officer prepare a log in a WordPerfect file that would include the name, number, date, and amount of all incoming checks on a daily basis.

Office of Inspector General Reply. Our audit showed that the Bureau's reconciliation processes were not adequate because the adding machine tapes used by the State Office did not contain sufficient detail and information to determine whether deposits received through the mail room were deposited intact and in a timely manner. Consequently, we concluded that supervisory personnel attempting to reconcile daily deposits to receipts could not possibly make the type of reconciliation determination needed because of the numerous fees from customers for the same dollar amounts that the State Office receives. The Bureau's collections reference guide defines the reviewing function as a function that includes verifying that all collections (cash and checks) are reconciled to receipts and deposits. Because the remitters were not identified on the adding tape or a schedule of collections, the reviews performed by supervisory personnel were cursory at best and were not in compliance with Bureau requirements. However, because the Bureau stated that it had taken action to modify the collection process, we believe that the intent of the recommendation has been fully addressed.

Recommendation 4. Nonconcurrence.

Bureau Response. The Bureau stated that it did not believe it needed to modify its automated system to provide for data edits and controls to ensure that fees are deposited into the appropriate accounts because it had clarified directions for posting deposits and had provided additional training for the accounting technician.

Office of Inspector General Reply. We acknowledge that the Bureau's action will help to minimize the recurrence of the miscoding of fees. However, we believe that the solution will be in effect only as long as the same individual is in the accounting technician position. We believe that placing data entry edits and controls in the system would permanently improve controls and eliminate the inconsistent

practices that have been used to account for the disposition of mining fees. Accordingly, we request that the Bureau reconsider this recommendation.

Additional Comments

Subsequent to our audit, Bureau officials provided September 30, 1996, as the target date for implementation of Recommendation 6.

Regarding the $63,644.41 that could not be accounted for, the Bureau said that this was for a returned check that was not logged properly. However, at the time of our audit, we requested that the Bureau provide us with the name, address, and/or telephone number of the payor. This information, which is necessary for us to confirm the disposition of the check, has not been provided.

In accordance with the Departmental Manual (360 DM 5.3), we are requesting your written response to this report by June 14, 1996. Your response should provide the information requested in Appendix 2.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, the monetary impact of audit findings, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

cc: Director, Bureau of Land Management

United Statcs Department of the Interior

BUREAU OF LAND MANAGEMENT
Washington, D.C. 20240

In Reply Refer To:
1245 (CO (950)/WO (850))

MAR 21 1996

MEMORANDUM

To: Assistant Inspector General for Audits

Through: Bob Armstrong Piet deWitt MAR 26 1996
Acting Deputy Assistant Secretary, Land and Minerals Management

From: Deputy Director, Bureau of Land Management

Subject: Draft Inspection Report on Selected Administrative Activities at the Colorado State Office Bureau of Land Management (Assignment No. C-IN-BLM-003-95)

Thank you for the opportunity to respond to the findings and recommendations in the draft audit report. The following is our response:

This audit was conducted in the Bureau of Land Management (BLM) Colorado State Office between June and September of 1995. We have addressed the four issues identified as deficiencies, and have implemented actions on five of the seven recommendations suggested by the Inspector General (IG) . The following paragraphs contain the steps that we have taken to comply with the IG recommendations :

The first issue identified as a deficiency was in the area of Cash, Collections, and Deposits and resulted in two recommendations for improvement. There was an apparent misunderstanding or the auditors were given misinformation suggesting that supervisory personnel were not reconciling daily receipts with daily deposits. Supervisors were reviewing the daily deposit documentation and signing the cash receipt documents as required, so further action is not required to comply with Recommendation 1.

However, based on the IG's recommendation, we have modified the collection process in the mailroom by having the collections officer prepare a log, in a WordPerfect file, by name, number, date, and amount of all incoming checks received on a daily basis. The log is then transmitted to the accounting technician, along with the checks. The accounting technician initials the daily log sheet to substantiate that all negotiable instruments are transferred. The mailroom collections officer also endorses the checks as the mail is opened (Recommendation 2) . The previous procedures were in compliance with BLM guidance that is defined in the BLM Collections Reference Guide, page 9, entitled Procedures on Receipting/Receiving Collections. **In** regard to the one check in the amount of $63,644.41, specifically identified on page 4, the accounting technician returned the check to the payor. Because the accounting technician was new to her position, she was not aware of the need to keep a log of returned checks.

The second major issue identified as a deficiency dealt with posting of mining claim fees into the proper accounts. We acknowledge that there have been inconsistent practices in depositing money to proper accounts due to lack of clear guidance to our previous accounting technicians and that the current accounting technician did not receive proper training or direction. We lost

our two experienced accounting technicians through the 1995 employee buyouts. With the restrictions placed on backfilling buyout positions, we were only left with the option of using our cashier to perform the accounting duties, and she had only been in the position for 3 months prior to the accounting technician leaving. We have since received clarification as to correct posting procedures for mining claim fees (Recommendation 3) and are providing training (Recommendation 5) . It should be noted that the guidance in the Fiscal Year (FY) 1995 Annual Work Plan directives changed from FY 1994, which caused confusion. With these changes, we believe we have eliminated the inconsistent practices.

We do not feel there is a need to modify our automated system to provide for data edits and controls to ensure that fees are deposited into the appropriate accounts (Recommendation 4) . With the clarification of direction for posting and training for the accounting technician, the automated system as it now exists will not need to be changed.

The third major issue identified was in the area of Map Sales, Map Orders, and Inventory Management. We agree that we do not have a formal process in place for tracking these processes, and have depended on an informal process for inventory tracking. As a result of this audit, we are investigating automated methods to implement to track map inventories, sales, and orders, and will initiate a formal process within this FY (Recommendation 6) .

The last major issue identified was vehicle fleet management. While we were not in compliance with the Departmental Manual requiring formal fleet review on an annual basis, informal reviews are conducted periodically by the BLM Colorado State Office Property Management staff, and recommendations have been given to managers regarding vehicle use. It has been previously recommended that the fleet be reduced to save funding, and the fleet has been reduced substantially over the past few years. Based on the IG's recommendation for review of the BLM Colorado State Office fleet, we have undertaken an evaluation of the fleet on a statewide basis, and have made recommendations for a substantial reduction of vehicles at all offices (Recommendation 7). We are also investigating the potential for short-term leasing of vehicles from the General Services Administration or private sources to accommodate our short-term field season needs.

The audit specifically cited lack of use of cadastral survey vehicles. This program has reduced its fleet. However, the level of funding for the program varies on an annual basis, making it difficult to estimate what the fleet size will need to be to meet survey crew needs.

We appreciate the suggestions and assistance provided by the IG auditors in reviewing these administrative areas. For further information, please contact Gwen Midgette, BLM Audit Liaison Officer, at (202) 452-7739, or Greg Lancaster, Chief, Business Practices Group, Colorado State Office, at (303) 239-3676.

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1, 2, 3, 5, and 7	Implemented.	No further response to the Office of Inspector General is required.
4	Unresolved.	Reconsider the recommendation, and provide an action plan that includes target dates and titles of officials responsible for implementation.
6	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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